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National Dairy Products Corporation

ANNUAL REPORT

1945

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The Annual Meeting of Stockholders is scheduled for April 18, 1946. A proxy statement is expected to be sent to stockholders on or about March 16, 1946 at which time proxies for the Annual Meeting will be requested.

Annual Report • 1945

National Dairy Products Corporation

Dedicated to the wider use and better understanding of dairy products as human food . . . as a base for the development of new products and materials . . . as a source of health and enduring progress on the farms and in the towns and cities of America.

Review in Brief

OUR OPERATING RECORD IN 1945

OUR INCOME:		
The sale of our products amounted to	$632,769,000	
Our income from other sources was	2,424,000	
This gave us a total income of		$635,193,000
OUR COSTS AND EXPENSES:		
Milk and other products purchased from farmers and raw materials bought from other suppliers cost us	$375,467,000	
To process our products and serve our customers, we employed 38,000 men and women whose wages and salaries amounted to	102,532,000	
Operating services and supplies and other miscellaneous costs of doing business totalled	53,455,000	
Our direct taxes to help support Federal, state and municipal governments were	34,651,000	
To package our products in bottles, cans, cases, cartons, jars and other containers required	30,617,000	
Repairs and maintenance to keep our plants functioning efficiently cost	14,274,000	
Despite repairs and maintenance, plants and equipment gradually wear out from constant use and eventually have to be replaced. Each year we provide as depreciation a sum for this purpose. The amount provided this year was	8,414,000	
We paid to our bondholders as interest on money we had borrowed	1,669,000	
This brought our total costs and expenses to		621,079,000
OUR PROFIT:		
This left a profit of 2¼ cents on each $1.00 of sales, or a total of		$ 14,114,000
Which was distributed as follows:		
Dividends to common stockholders	$ 8,757,000	
Retained in the business for debt reduction, plant expansion and operating requirements	$ 5,357,000	

(The formal statements of Consolidated Profit and Loss with comparisons for 1945 and 1944 will be found on page 24)

OUR POSITION AT THE END OF 1945

WE OWNED		WE OWED	
Cash and Government bonds	$ 56,295,000	Bonds outstanding	$ 50,000,000
Due from customers	21,600,000	For materials and services	33,884,000
Products, materials and supplies	46,463,000	Estimated reserves and miscellaneous	17,302,000
Investments and other assets	7,999,000	Total Owed	$101,186,000
Property, plant and equipment	81,693,000	OUR NET WORTH, the excess of what we owned over what we owed	112,864,000
Total Owned	$214,050,000		$214,050,000

Statistical Summary

Net Sales	$632,769,000
Civilian Sales	$542,365,000
Sales for Direct War Purposes	$ 90,404,000
Net Profit	$ 14,114,000
Per Share	$ 2.25
Number of shares of common stock outstanding	6,255,247
Number of stockholders	67,347
Dividends	$ 8,757,000
Per Share	$ 1.40
Taxes	$ 34,651,000
Per Share	$ 5.54
Current Assets	$124,358,000
Current Liabilities	$ 33,884,000
Working Capital	$ 90,474,000
Ratio of Current Assets to Current Liabilities	3.67 to 1
Capital Expenditures	$ 9,802,000

(The formal Consolidated Balance Sheets with comparisons for 1945 and 1944 will be found on pages 22 and 23)

To National Dairy Stockholders:

No review of National Dairy in 1945 should start in any other way than with thanksgiving that it was a year in which peace came again for all of the American people.

We are grateful that our business—founded on basic and essential foods — made it possible for us to make a substantial contribution during the war years. We are aware that the transition from war to peace brings many new problems, but it also brings the opportunity for dairy foods to play an important role in the further improvement of peacetime nutritional standards.

That National Dairy's sales in 1945 reached the highest level in its history—with the appreciable rise over 1944 made up entirely of additional sales to civilian customers—is evidence of the increasing importance and popularity of our products in the diet of the American people.

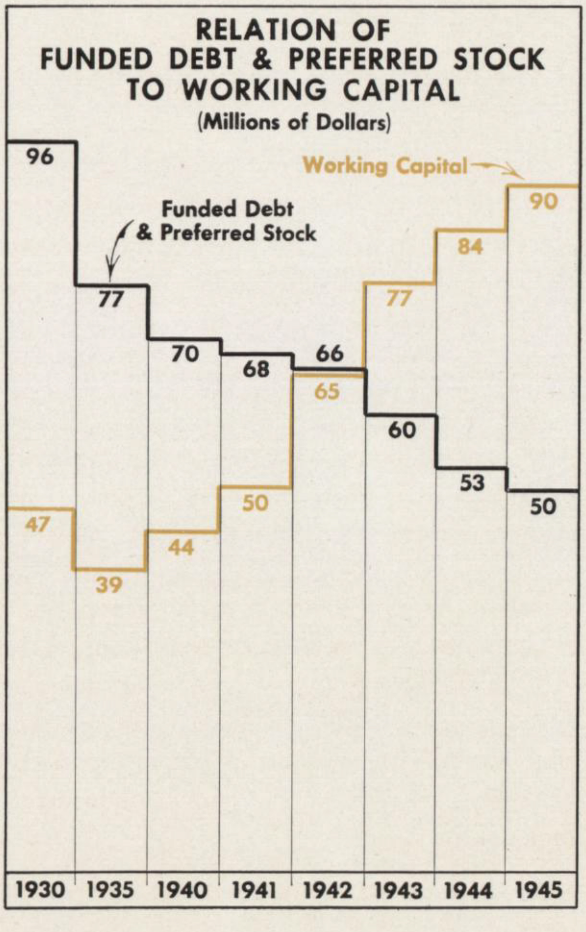
With this larger volume of business, your Company's earnings increased to $2.25 a share from $2.12 in the previous year. A complete picture of sales, costs and profits in 1945 will be found in other sections of this report.

Reflecting the continued improvement in the Company's financial position and the policy of your directors to declare dividends consistent with that position, a total of $1.40 a share was paid in 1945, compared with $1.10 in 1944 and $1.00 in 1943.

IMPROVED FINANCIAL POSITION

To protect the stockholders' investment, maintenance of a sound financial position has always been the stated policy of National Dairy. Financial strength is necessary to enable the Company to continue to provide a market for its producers, maintain employment and improve its services to the public.

Working capital at the end of 1945 was at a new high of $90,474,000, an increase of $6,563,000 over 1944. Of this total, $46,136,000 or more than half, has been added during the past five years. Cash and U. S. Government



securities were $56,295,000 as of December 31, 1945, representing an increase in these items over 1944 of $10,949,000. In addition the Company has $28,425,000 in U. S. Treasury Savings Notes to cover its entire 1945 Federal income tax provision. At the end of 1945, cash and U. S. Government securities exceeded current liabilities by $22,411,000.

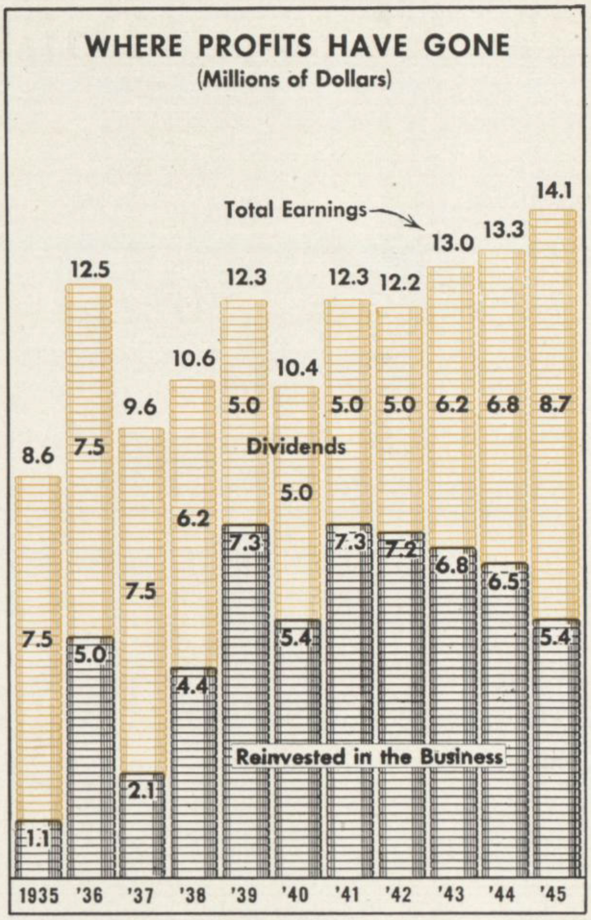
As of December 31, 1944, your Company's funded debt consisted of $51,700,000 in 3¼ per cent debentures due in 1960 and $1,500,000 in serial debentures. During the year 1945, there was a net reduction in funded debt of $3,200,000.

In December 1945, the remaining 3¼ per cent debentures due in 1960 were called for redemption, and replaced with an issue of $50,000,000 of 2¾ per cent debentures due in 1970. By this refinancing, your Company has gained the advantage of a very attractive interest rate on its funded debt as well as the postponement of maturity of the issue to 1970.

During the past five years, funded debt of the Company has beeen reduced from $70,000,000 to $50,000,000, a total decrease of $20,000,000, with a substantial saving in interest charges.

MODERNIZATION PLAN

Within the next several years your Company expects to carry out a comprehensive plan for the modernization and improvement of plants and the replacement of trucks, refrigerating cabinets, machinery and other equipment. During the war it was impossible to make many replacements at the time at which they normally would have been made. Sound judgment now dictates that your Company should put itself in the best possible position for efficient operation. Operating efficiency will be an important factor in determination of profits.



Looking forward to this development, additional major properties in several markets, which were deemed unsatisfactory for the future development of the business, were sold during 1945, and are now being operated under leases until new plants can be built. The sale of these properties represented a loss of $2,686,000, which was largely off-set by savings in income taxes.

Obviously, this program of building and modernization will require a considerable sum of money. This has been anticipated, and it is expected that substantially all of the funds will be provided from normal provision for depreciation, present cash resources and future earnings.

IN PROSPECT

Looking ahead, indications are that dairy foods will continue to occupy an increasingly important position in the American diet, and we anticipate again in 1946 a situation in which demand will exceed supply. While the material reduction in Government purchasing has helped to ease civilian shortages to some extent, it still remains questionable whether the Company will be able to obtain sufficient supplies in 1946 to meet the demand for all of its products.

Maintenance of present large sales volume, of course, will depend to considerable extent upon the ability of our country to establish an economy which will support continuing high purchasing power. In any event, however, the Company, with its organization reinforced by returned servicemen, is in excellent position to meet post-war conditions.

ANNUAL REPORT POLICY

In the preparation of National Dairy's annual report the objective has always been to make the report truly informative, not only as regards financial data, but also to the end that it will project a clear picture of what the Company is doing and what it hopes to do.

The management of National Dairy believes that its stockholders are entitled to more than a mere statistical report. Only when both stockholders and employees understand how a business operates, know where it came from and where it plans to go, can they supply the support and co-operation needed for the success of the mutual enterprise.

In line with that policy, we hope the additions we have made to our report this year will provide more convenient reference to all aspects of National Dairy's business. We earnestly solicit your attention to each section in the hope you will know your Company better.

The Company's relations with its employees, with few exceptions, continued to be satisfactory during the past year. Because of our larger volume of business and the return of veterans, the number of employees has increased. An attitude of fairness has been and will continue to be the basis of our employee relations and we take this opportunity to thank our loyal staff for their splendid spirit of cooperation.

By order of the Board of Directors,

THOS. H. MCINNERNEY
Chairman

L. A. VAN BOMEL
President

New York, N. Y.
February 28, 1946.

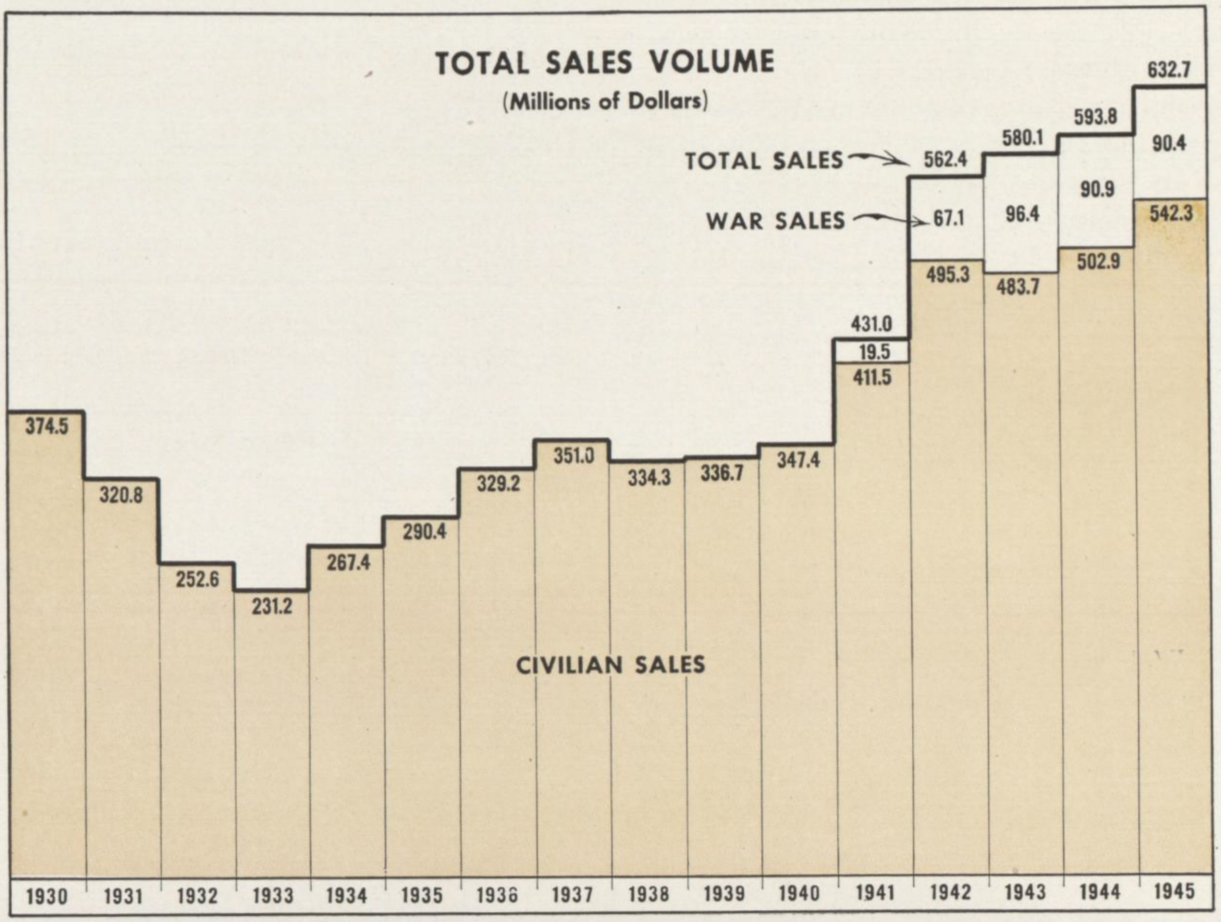
Sales, Costs and Profits

Unprecedented demand for our products by a consuming public with high purchasing power and a better appreciation of the nutritive value of dairy foods, coupled with continued Government buying for war purposes, raised National Dairy's sales in 1945 to a new record total of $632,769,000, compared with the previous high of $593,853,000 in 1944.

Larger sales to civilian customers, which amounted to $542,365,000 compared with $502,931,000 in the previous year, accounted for the entire increase over 1944. Sales for direct war purposes were $90,404,000 in 1945, compared with $90,922,000 in 1944.

Profit after all expenses, charges and taxes amounted to $14,114,000, an increase from $13,318,000 in 1944. This is a profit of 2.23 per cent on sales in 1945, compared with 2.24 per cent the previous year.

The Company's largest expenditure was payment to farmers and other suppliers of materials for its products. In 1945 this item amounted to



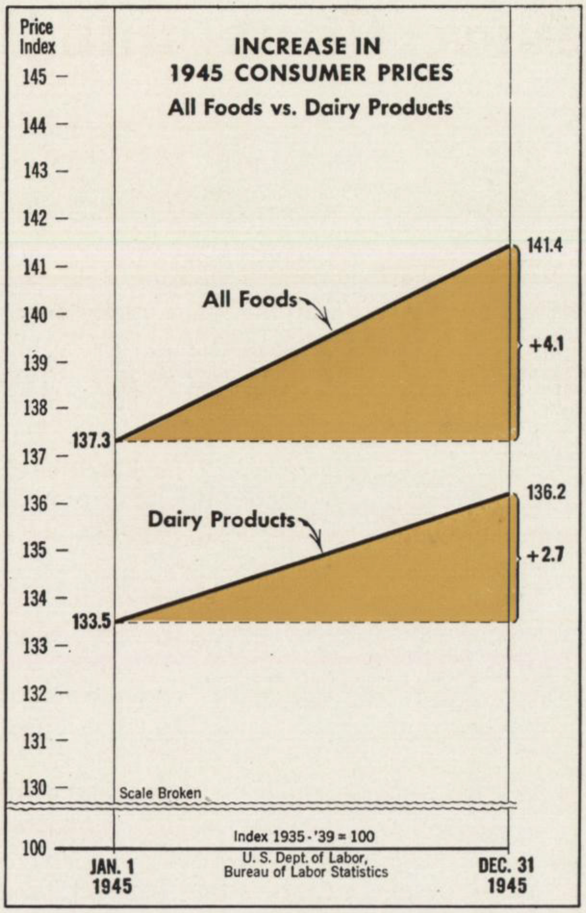
$375,467,000. This compares with $348,599,000 in 1944. In addition, milk producers received directly from the Government during 1944 and 1945, subsidies, varying seasonally and geographically, based upon the quantity of milk or butterfat produced, to compensate for higher feed costs and to encourage milk production.

The Company's second largest expenditure was for wages, which increased from $94,648,000 in 1944 to $102,532,000 in 1945. Total tax expense, including Federal income and excess profits taxes, was $34,651,000, compared with $40,644,000 in the previous year. Expenditures for property, plant and equipment were $9,802,000. Depreciation amounted to $8,414,000.

Although sales to civilian customers in 1945 were the largest since National Dairy has been in business, it was still impossible to meet the public demand for all of the Company's products. Ceiling prices on most products are still in effect, and the production of ice cream, salad dressing, margarine, and other products, is restricted by shortages and limitation orders affecting the supply of sugar, fats and oils. While the situation regarding these materials may improve to some extent during 1946, it is unlikely that they will be available in sufficient volume to enable us to make as large a quantity of some products as we could sell during this year.

In this connection, we are deeply appreciative of the patience and co-operation shown by consumers and dealers, and every effort will continue to be made to meet requirements for our products just as rapidly as conditions will permit.

With the gradual return to normal business conditions, the Company's advertising and product promotion activities are being intensified, with the two-fold objective of increasing public recognition of National Dairy's leadership and strengthening its competitive position.



During 1945, the Company's three national radio programs—The Kraft Music Hall, The Sealtest Village Store and The Great Gildersleeve—continued to command huge audiences and to exert an important influence on sales, while public reaction to its magazine, newspaper and billboard advertising is steadily creating wider knowledge of National Dairy's objectives and increased demand for its products.

New Plants and Equipment

National Dairy is looking forward to the construction, within several years, of a number of new plants, the modernization of others and the replacement of considerable equipment.

The efficiency of plant and equipment is always an important factor—and in many markets may be the deciding factor — in determining whether or not a business is to grow, provide employment and make a reasonable return on the money invested in it.

The careful attention which National Dairy has always given to this subject is evidenced by its long history of efficient plant operation, and the progressive replacement program which it carried out until that program was interrupted by the diversion of materials to the war effort.

In preparation for the modernization work now planned, the Company in 1945 conducted the most comprehensive survey it has ever undertaken of its physical needs and facilities. The object of this study, which will constitute a continuing program of plant and equipment research, is to provide the basic data needed to enable National Dairy's plants and equipment to function with maximum efficiency.

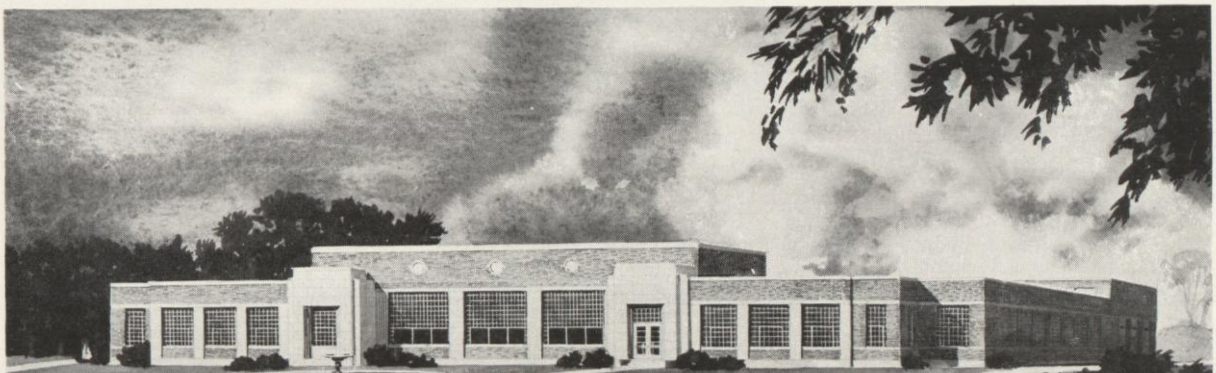
Under the direction of a central planning committee, each phase of the operation of the Company's physical equipment has been analyzed. Designs for model milk, ice cream and cheese plants, which can be adapted to local conditions, have all been, or are being, prepared.

Erection of the first plant in accordance with the Company's new model design, which calls for a one-story structure with receiving, processing, packaging and loading operations all on one floor, will mark a major forward step in dairy plant construction. Special attention has also been given to the exterior design of the plants to assure an appearance which will reflect the Company's standards of neatness, cleanliness and progress.

Plans for trucks, processing machinery and other types of equipment, embodying the latest and most practical improvements, are now ready in most cases to be translated into reality as soon as materials are available or the need for their adoption arises.

Through this comprehensive program of continuing study of the tools of its trade National Dairy is constantly gaining new knowledge to aid the Company in maintaining leadership in its field.

Architect's drawing of new, one-story milk plant of the type to be constructed by National Dairy divisions.



Research and Development

Today, no company which stands still can hope to stay in business. The pace of technological development is so rapid that techniques which were advanced in one decade are apt to be antiquated in the next.

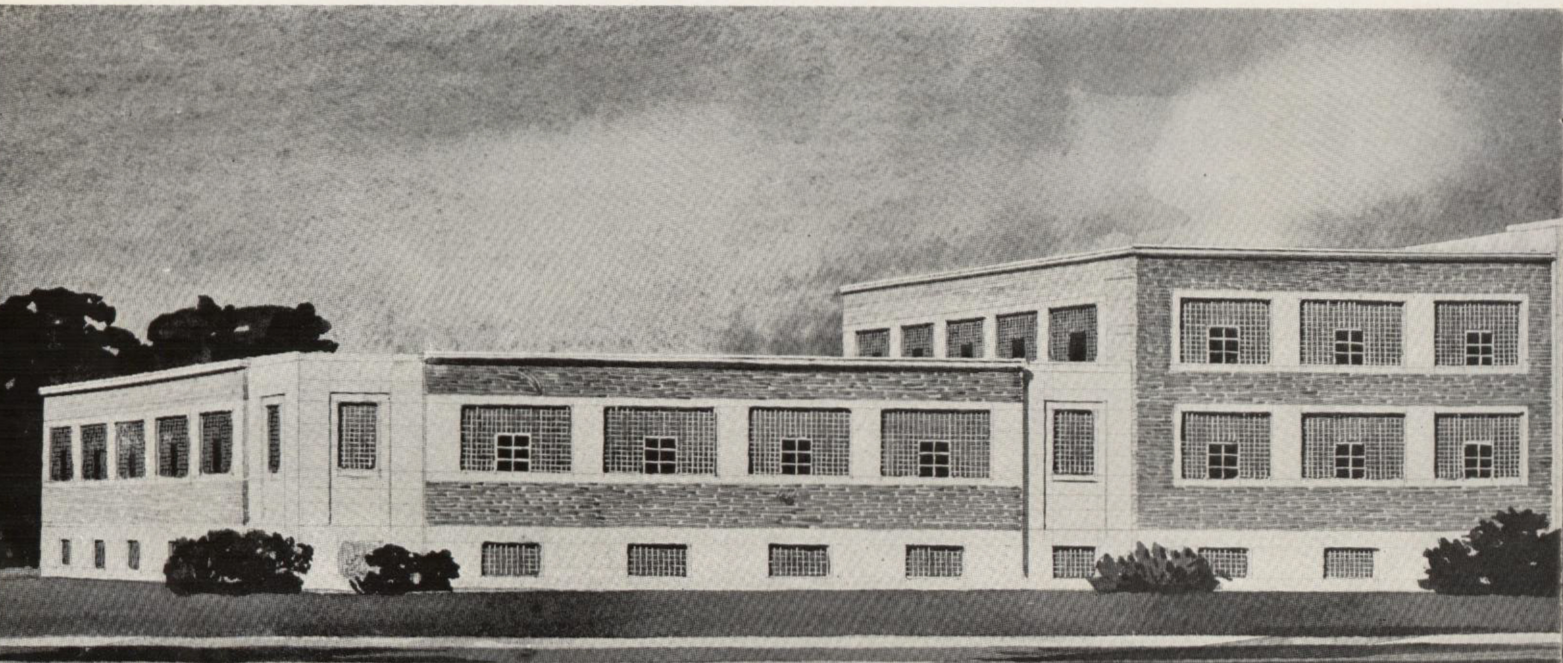
Scientific progress is one of the distinguishing characteristics of our age, and in every industry the companies that have grown and prospered are those which have constantly improved their products and methods and developed new products.

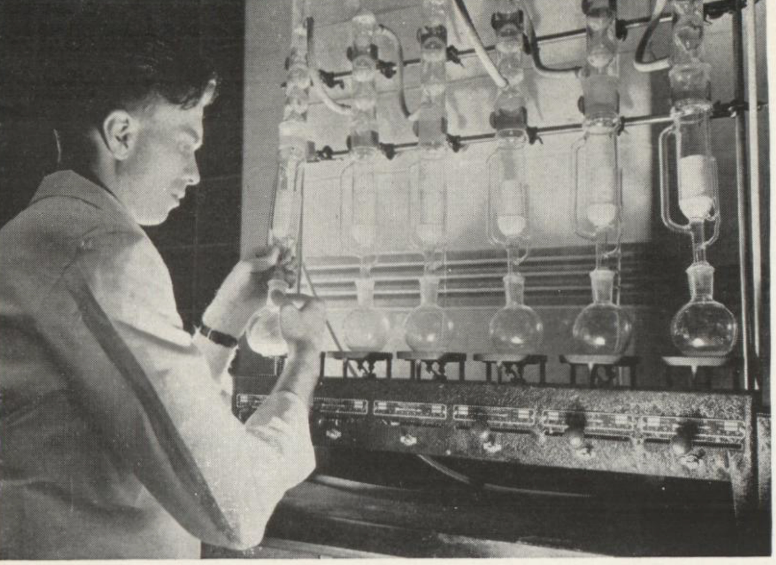
National Dairy is a recognized leader in the field of food and dairy product research. As an organization, it began as the inheritor of wisdom gained by its constituent companies through many decades. One of these companies helped introduce pasteurized milk and tuberculin tests for cows. Another was responsible for many of the greatest advances in the manufacture of cheese. A large proportion of the important discoveries and improvements in the dairy industry have come about as the result of National Dairy research. Today this research program, co-ordinated and intensified, is constantly adding to the fund of existing knowledge about milk and other basic foods.

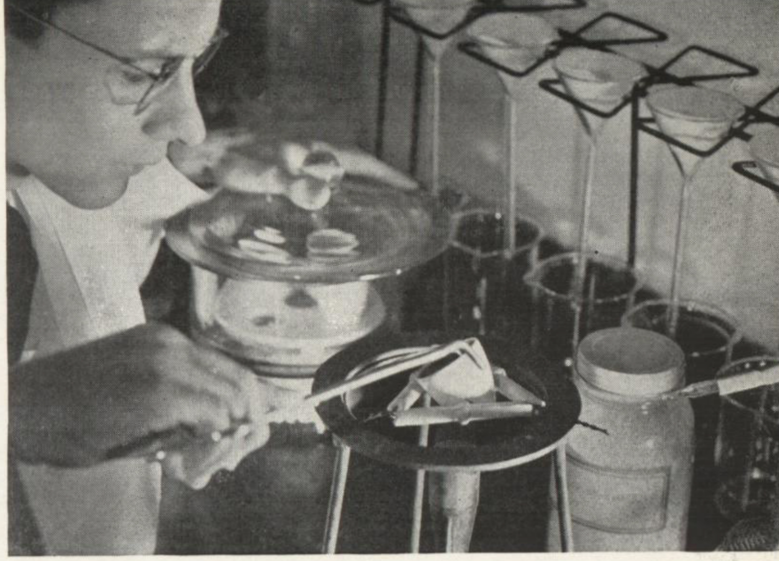
NEW LABORATORY PLANNED

Now that the end of the war has made it possible to do so, the Company is planning to further expand its activities in this important phase of its future development. Designs and specifications have already been completed for the construction of a new central National Dairy Research Laboratory. This laboratory will contain the most modern equipment and facilities, and will be situated on a plot of ground sufficiently large to provide for future expansion and the construction of pilot plants in which laboratory developments can be translated into new and improved commercial products.

Architect's drawing of proposed new National Dairy Research Laboratory, in







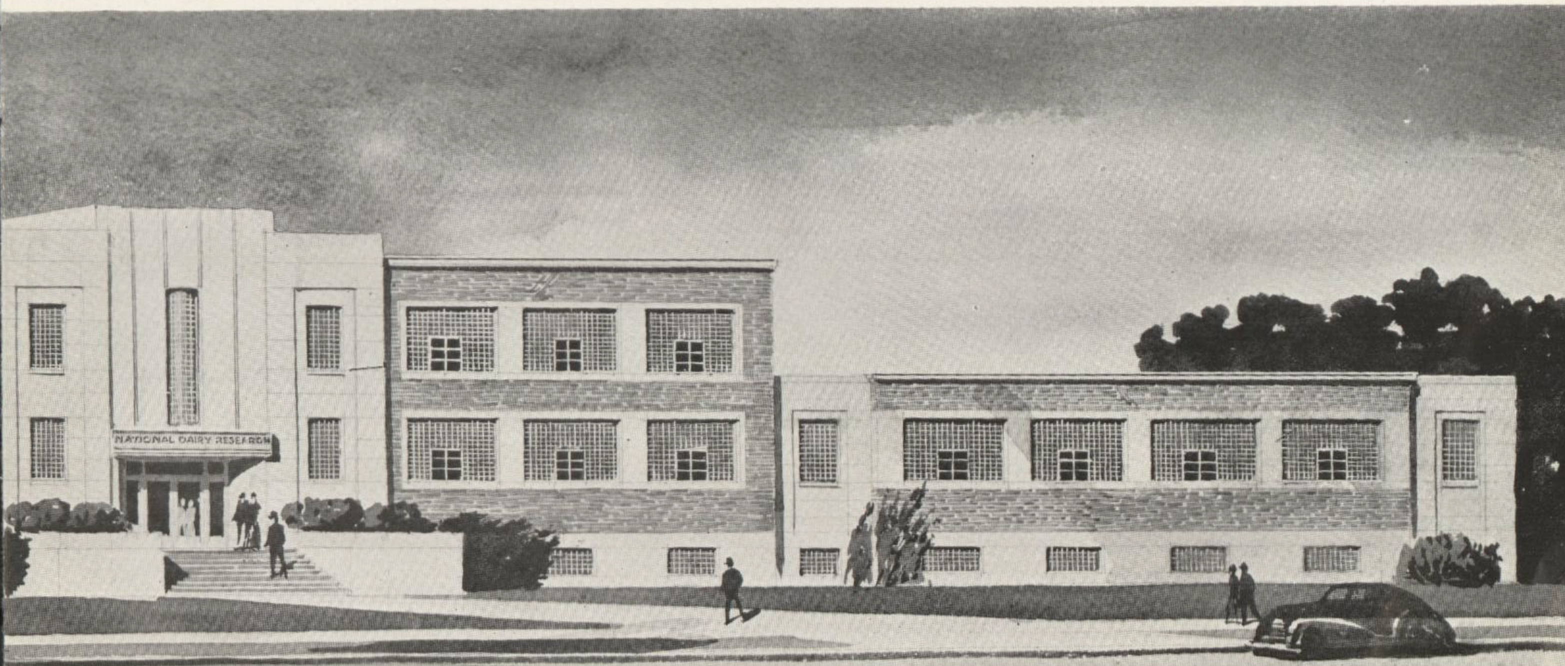
Of first importance in this expanded research program will be the continuing search for fuller utilization of all the nutritional values of the basic foods in which the Company is interested. From this study already have come many new and beneficial products.

NEW COMMERCIAL PRODUCTS

From milk proteins are derived the essential amino acids, which science has shown are so important to proper nutrition and health. Preparations of these amino acids, together with lactose (milk sugar), are being used as special nutrients in the large-scale production of the "wonder drugs", penicillin and streptomycin. Lactose, which has nutritional qualities possessed by no other sugar, has become important in the formulation of baby foods, and is also widely distributed through pharmaceutical channels. Another product, calcium lactate, is used in the treatment of calcium deficiencies in the human system.

Another vital phase of National Dairy's research is concerned with finding practical uses for the by-products of food processing in commercial fields. For instance, there have been developed new scientific animal feeds, which help chicks, calves and pigs to grow faster and resist disease.

Aralac, the Company's textile fiber made from milk casein, which has had a large sale for use in the manufacture of felt hats, dress goods and



which the Company's program of basic food research will be further expanded.

inter-linings, is a development of this research. National Dairy research will continue to find still other ways to utilize the by-products of its manufacturing processes.

RESEARCH IN THE KITCHEN

A complement to National Dairy's research program is provided by the experimental kitchen conducted by the Company and those maintained by some of its operating divisions. In these kitchens, the practical application of the Company's food products in the home are studied and helpful recommendations prepared for the housewife. Thousands of menus and recipes to make family meals more wholesome, nutritious and delicious have been prepared and distributed.

During the war, the staffs of these kitchens, made up of trained dieticians and home economists, rendered a valuable service to the public in preparing and testing menus and cooking procedures to assure adequate, balanced diets while many foods were rationed or unavailable. Assistance is regularly given to hospitals, institutions and other customers of operating divisions in the solution of special nutritional problems.

From this continuing program of National Dairy research into all phases of food and dairy product utilization, benefit accrues to the consumer as a result of new and improved products, to the worker through the creation of new jobs, to the farmer through the development of new markets and increased consumption of milk, and to the stockholder in the form of greater business volume in diversified lines.

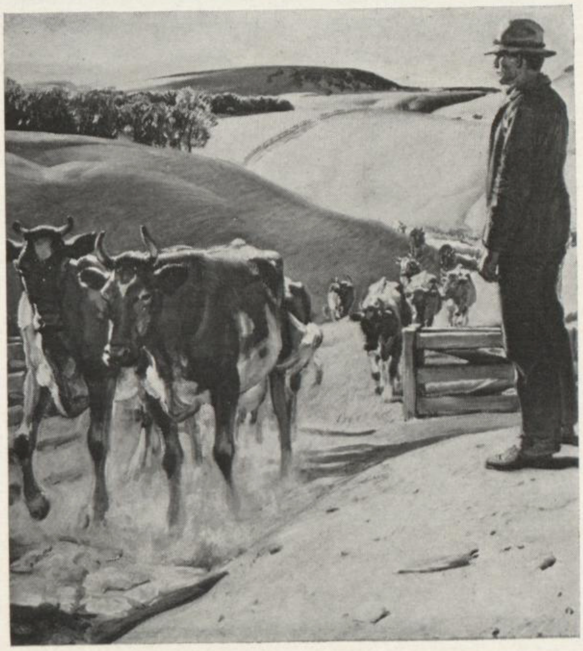
National Dairy Sealtest Kitchen, one of the Company's experimental kitchens, where products are tested for home use.

NATIONAL DAIRY
Sealtest
PRODUCTS CORP.

National Dairy and the Farmer

Of major importance to the farmer, the dairy industry and the public is the maintenance of a continuing increase in the consumption of milk and other dairy products. Despite the record-breaking production of recent years, nutritionists tell us that the American people still do not use enough milk.

More milk for more people, with resulting improvement in national health, is a common goal toward which National Dairy and the farmers of the country have worked for many years.



Since its inception, National Dairy has co-operated with Federal and State Departments of Agriculture, State agricultural institutions, county agents, farm co-operative organizations and individual farmers to improve herds, develop better feeding programs, increase farm efficiency and promote greater production of higher quality milk. In each area where our operating divisions purchase milk, staffs of trained men are maintained to assist the farmer. These staffs include veterinarians, agricultural school graduates, farm specialists and sanitary engineers.

Special motion pictures, made by National Dairy to depict modern farming practices and methods of quality milk control, are shown throughout producing areas, and literature on similar subjects is widely distributed. In many States, programs of co-operation with 4-H Clubs and the Future Farmers of America are sponsored, including awards to farm boys and girls for efficient milk production.

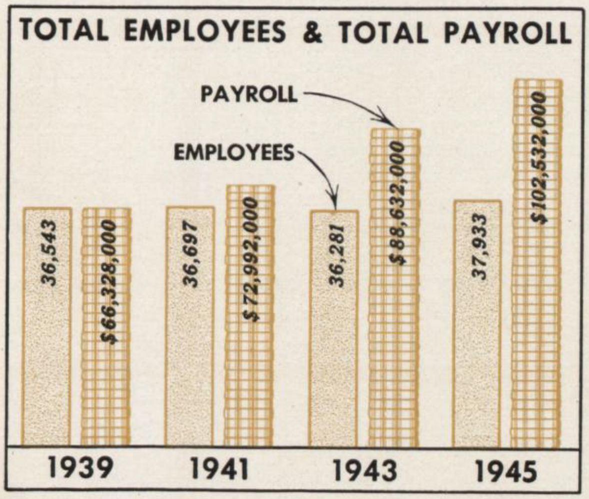
Translating production into consumption, National Dairy also serves the farmer and the public, by developing new dairy foods, finding new uses for their by-products, and creating better public understanding of the value of dairy products through its advertising.

Our Employees

National Dairy's management has always recognized and supported the right of its employees to a fair wage and good working conditions.

In 1945, we paid $102,532,000 in wages and salaries to an average annual total of 37,933 employees. This represents the largest wage and salary payment in National Dairy's history. We call attention to the chart below covering a seven year period, during which time the number of employees increased 1390 or 3.8% whereas the amount paid to them increased from $66,328,000 to $102,532,000 or 54.6%.

That our employees enjoy a relatively high degree of security, is evidenced by the large proportion of 15, 20 and 25-year men and women on our payrolls. That National Dairy believes in the opportunity for advancement, is substantiated by the fact that a large majority of the present executive personnel started down the line in the ranks of employees.


TOTAL EMPLOYEES & TOTAL PAYROLL

In 1930 a comprehensive program of accident prevention and safety measures, designed to meet the specific requirements of individual operating companies, was inaugurated. To date, this program has effected an overall decrease in accidental injuries to our employees of 42 per cent, assuring employees a high degree of protection in the performance of their daily duties. In the same period, traffic accidents involving the Company have decreased 35 per cent.

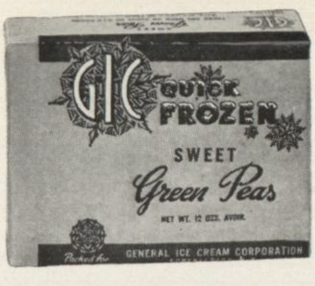
9,839 SERVED IN WAR

During the war, 9,839 National Dairy men and women entered the armed services. The memory of 225 who gave their lives for their country will always remain a personal sorrow and a source of inspiration to the rest of us.

Of those who have been discharged, we are happy to report that 3,208 have returned to the Company, and are now employed in their former capacities or in positions of increased importance. We are anticipating the return of others during the coming year, and are looking forward to welcoming them back to the National Dairy Family.

To those employees who worked with us through 1945, we extend our sincere appreciation for a job well done. That we were able to maintain our facilities at peak production, meet all of our commitments to the Government and serve our civilian customers, was largely due to the loyalty and co-operation of the men and women of National Dairy.

N-Z-CASE
SHEFFIELD FARMS CO. INC.


GIC
QUICK FROZEN
SWEET
Green Peas
NET WT. 12 OZS. AVOIR.
GENERAL ICE CREAM CORPORATION

RHUBARB
Southern Dairies
QUICK FROZEN
SLICED PEACHES
IN SYRUP

PHILADELPHIA
BRAND
PASTEURIZED
CREAM CHEESE
KRAFT CHEESE COMPANY

ONE POUND NET
Harding's
Quality BUTTER

SUGAR CREEK BUTTER
1 LB.
NET
ONE POUND NET
CHURNED FROM PASTEURIZED CREAM
SUGAR CREEK CREAMERY CO. DISTRIBUTORS

made by KRAFT
Parkay
VEGETABLE
OLEOMARGARINE

KAFF-A
A BUTTERMILK and VITAMIN FEED
FOR STARTING AND GROWING CALVES

Phenix
BOUILLON
CUBES
Delicious
FLAVORING FOR GRAVIES, SOUPS, ASPICS AND SAUCES

KRAFT
CHOCOLATE Flavored
MALTED MILK

SHEFFIELD
NEW PROCESS
HIGH NITROGEN
CASEIN

WESTERN
MARYLAND
DAIRY
TASTE IT! TOASTED
Enriched
Bread

PASTEURIZED
Pabst-ett
DELICIOUS and DIGESTIBLE
PABST-ETT COMPANY · DISTRIBUTOR · CHICAGO ILL.
EXCELLENT FOR CHILDREN

Kraft
PREPARED
Mustard
WITH ADDED
HORSERADISH

Deerfoot
Farms
Sausage

Breakstone's
CREAM CHEESE
Cream Crest

Rich Pasture
CREAMERY BUTTER
1 LB. NET
THE TRI-STATE BUTTER CO.

OVSON
STANDARD
EGGS

FRIZZ
MAKES DELICIOUS
ICE CREAM
Just add water
A KRAFT product

SHEFFIELD
Sealect
BRAND
EVAPORATED
MILK

FroZest
frozenfresh
CAULIFLOWER
NET WT. 10 OZ. AVOIR.
NATIONAL DAIRY PRODUCTS COMPANY, Inc.
DISTRIBUTORS, NEW YORK, N.Y.

Breakstone's
Creamed
COTTAGE CHEESE
PASTEURIZED
BREAKSTONE BROS. INC.
NEW YORK, NEW YORK

HYDROX
BEVERAGES
ORANGE
GINGER ALE
PALE DRY
ROOT BEER
Every Drop Pure

Kraft
powdered
WHOLE
MILK

Yerdon's

CHESTNUT FARMS
CHEVY CHASE

NEW HAVEN
DAIRY

Arctic

DETROIT
CREAMERY

EBLING
CREAMERY

HOFFMAN'S

Akron Pure

Sanitary

BELLE VERNON

St. Louis Dairy

PLYMOUTH
ROCK

Roszell's

Harding's

SAGAL-LOU

CHAPMAN DAIRY

Breakstone's

WESTERN
MARYLAND
DAIRY

NATION
Se
PRODU

Dodds

Hiland

Allen's

Fro·joy

Moglia's

Luick

HYDROX

Hydrox

Chapell's

Franklin
X X

Union

ECOMA

Tru-li-Pure
PASTEURIZED

RIECK'S

BRIGHTON PLACE
KRAFT
Frechtling
JERSEY
CLOVER LEAF DAIRY
Velvet Brand
ANN ARBOR DAIRY
Breyers
OHIO CLOVER LEAF DAIRY
EWING VON ALLMEN
BRYANT & CHAPMAN
KENTUCKY DAIRIES
Arctic DAIRY
TELLING'S
Peerless
Youngstown Sanitary
WISCONSIN CREAMERIES
PHENIX PABST-ETT

IAL DAIRY
altest
CTS CORP.

Jersey
Clover Farm
SUPPLEE
GRAND RAPIDS CREAMERY
CLOVERLEAF
Deerfoot Farms
BUSHWAY
CASTLES
Thompsons
CLOVER DAIRY
Southern Dairies
SHEFFIELD FARMS
MATTHEWS FRECHTLING
R.G. MILLER & SONS

KRAFT
Mayonnaise
Kitchen Fresh

GREEN PEAS
FroZest
frozen fresh
SWEET
GREEN PEAS
NET WT. 12 OZ. AVOIR.
NATIONAL DAIRY PRODUCTS COMPANY, INC.
DISTRIBUTORS, NEW YORK, N. Y.

GIC
QUICK FROZEN
Strawberries
SLICED - WITH SUGAR
NET WEIGHT 1 POUND
Packed for
GENERAL ICE CREAM CORPORATION
SCHENECTADY, N. Y.

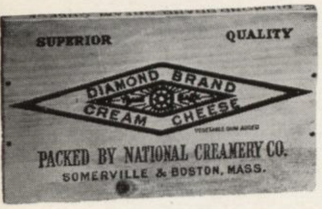
GOLDEN PAGODA
BRAND
READY TO SERVE
CHOW MEIN
NOODLES
Packed for BREYER ICE CREAM CO., INC.

100 Lbs. NET
Semi-Solid
Chick
Emulsion
CONSOLIDATED PRODUCTS COMPANY
DANVILLE, ILLINOIS

VELVEETA
WEIGHT ½ LB.
A KRAFT PRODUCT
VELVEETA
PASTEURIZED
DELICIOUS CHEESE FOOD
KRAFT FOODS COMPANY • MANUFACTURER • CHICAGO, ILL.
KRAFT CHEESE COMPANY
MANUFACTURER • CHICAGO, ILL.
Old English
CHEESE
SPREAD
A KRAFT PRODUCT

Butter
1 LB.
DAIRY
STATES
Sweet
Cream
Butter
1 LB.
DAIRY
STATES
Sweet
Cream
Butter

GOLDEN PAGODA
BRAND
Quick-frozen
CHOW MEIN
OR
CHOP SUEY
VEGETABLES
PACKED BY BREYER ICE CREAM CO., INC.


SUPERIOR
QUALITY
DIAMOND BRAND
CREAM CHEESE
PACKED BY NATIONAL CREAMERY CO.
SOMERVILLE & BOSTON, MASS.

DIAMOND BRAND
creamed
COTTAGE CHEESE
Have you tried DIAMOND BRAND
THICK SOUR CREAM
DIAMOND BRAND
Fine Quality
creamed
COTTAGE CHEESE

KRAFT
DINNER
FOR Delicious
MACARONI-AND-CHEESE
ONLY 7 minutes
COOKING TIME REQUIRED
(NO BAKING)
KRAFT
DINNER
FOR Delicious
MACARONI-AND-CHEESE
ONLY 7 minutes
COOKING TIME REQUIRED
(NO BAKING)

NOODLE SOUP MIX
THIS CARTON CONTAINS
3 PACKAGES
NOODLE
SOUP
MIX
12 ECONOMICAL SERVINGS
Simply add boiling water
AND COOK 10 MINUTES

Breakstones
REGULAR GRIND
COFFEE
DISTRIBUTED BY BREAKSTONE BROS. INC. NEW YORK, N.Y.

Deerfoot farms
Frankfurts

KRAFT
Dairy Fresh
CARAMELS
KRAFT
Dairy-Fresh
CARAMELS
KRAFT CHEESE COMPANY • MANUFACTURER • CHICAGO, ILLINOIS
KRAFT Dairy-Fresh CARAMELS

KRAFT
French
Dressing
Kitchen Fresh
Miracle
French Dressing
KRAFT

IT'S
Aralac
THE WONDER PROTEIN FIBRE

ONE PINT
Miracle Whip
Salad Dressing
KRAFT

Sealtest supervised
NATIONAL DAIRY
Sealtest
MALTED MILK
Distributor
NATIONAL DAIRY PRODUCTS CO. INC.
NEW YORK, N. Y.

Deerfoot farms

KRAFT
PIMENTO
CHEESE SPREAD
KRAFT
PINEAPPLE
CHEESE SPREAD

WHITE SODA
GINGER ALE
MIXERS
MIXERS

Breakstones
SOUR CREAM
ONE PINT
Breakstone's
QUALITY
DAIRY PRODUCTS

QUICK FROZEN
ASPARAGUS TIPS
NET WEIGHT 2½ LBS.
Southern Dairies
QUICK FROZEN
FORDHOOK LIMAS
NET WEIGHT 2½ LBS.
Southern Dairies
QUICK FROZEN
PEAS
NET WEIGHT 2½ LBS.
Southern Dairies

Who Owns National Dairy?

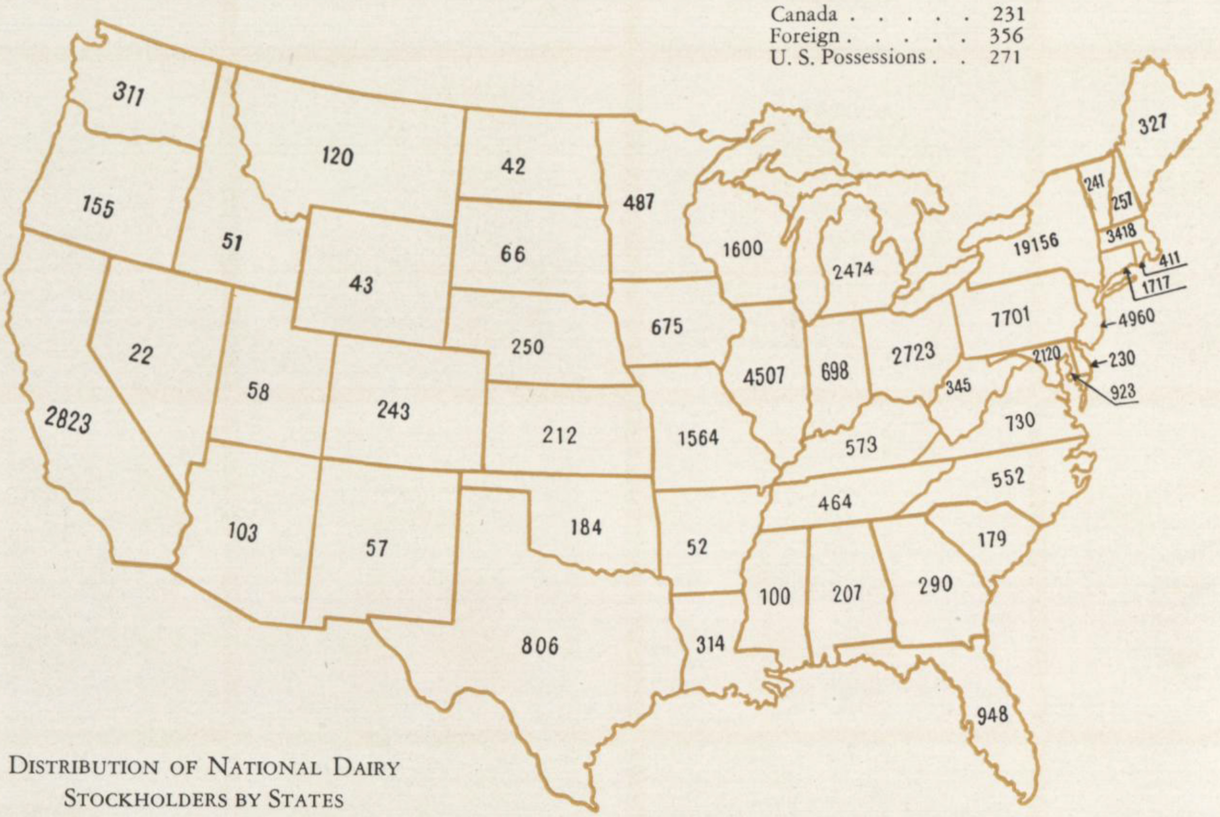
National Dairy is owned by 67,347 stockholders living throughout the length and breadth of the United States, in its territorial possessions and in foreign countries. Together, these stockholders own 6,255,247 shares of common stock. No one of them owns as much as 2 per cent of the total outstanding shares. There is no preferred stock.

Nearly 74 per cent of the total outstanding stock is owned by individual investors in the United States and its possessions. Approximately 23½ per cent is held by American insurance companies, educational institutions, investment houses, banks, estates and trust funds; many of which, in turn, are owned by thousands of individual investors throughout the country.

Individual investors in the United States—whose holdings represent approximately three-fourths of the voting control of the Company—form a cross-section of the nation's citizens. They are about equally divided as between men and women. They are in many walks of life and they live in every State in the Union.

Stockholders in Canada and other foreign countries own the remaining 2½ per cent of the shares.

Canada	231
Foreign	356
U. S. Possessions . .	271


311
155
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42
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51
66
43
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2474
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257
3418
411
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4960
675
250
22
58
4507
698
2723
7701
2120
230
923
345
2823
243
212
1564
573
730
552
464
103
57
184
52
179
100
207
290
806
314
948

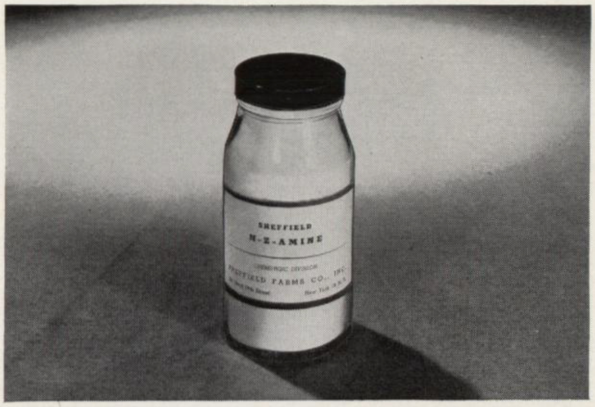
Distribution of National Dairy Stockholders by States

New Products in 1945

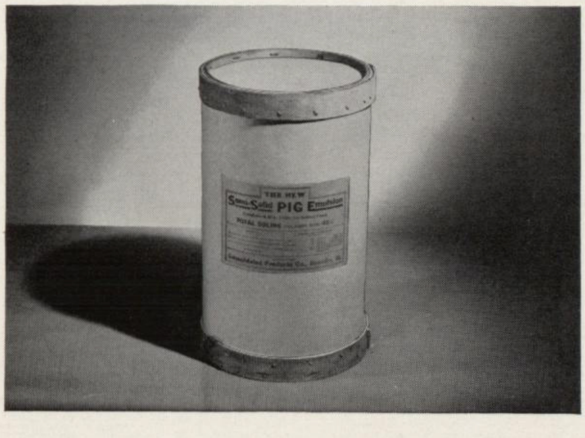
FORMULAC, a new baby food which marks an advance in scientific infant feeding, has been accepted by the Council on Foods and Nutrition of the American Medical Association. Containing the full daily requirements of all necessary vitamins and minerals in a concentrated milk base, it is a great convenience to the mother and lessens the possibility of errors in preparing a formula in the home. Available in grocery and drug stores, for use in all normal infant feeding upon recommendation of the customer's physician. Introduced by National Dairy Products Company, Inc. and Kraft Foods Company.

Formulac*
INFANT FOOD
Sealtest

N-Z-AMINE, which contains an excellent and readily available mixture of amino acids, is made by the enzymatic breakdown or digestion of casein. Widely used as a bulk peptone or nutrient for growing micro-organisms, it is making a fine contribution in the pharmaceutical field. Its most outstanding use has been in the production of the "wonder drugs," penicillin and streptomycin, and in the manufacture of toxins and vaccines. A new addition to the list of chemical and pharmaceutical products made and sold by Sheffield Farms Company, Inc.



SEMI-SOLID PIG EMULSION, a new hog feed made from a condensed milk solids base, represents an important forward step in animal nutrition. By supplying elements normally obtained only through pasture feeding, it makes it possible to place pigs in a confined feeding space as soon as they are weaned. Hogs go to market in 5½ months, instead of 7 to 8 months, with saving in feed and labor cost and improvement in the quality of the pork. Made and sold by Consolidated Products Company.



Financial Statements

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Condensed Ten-Year Statement:

Assets and Liabilities . . . . Page 28

Profit and Loss . . . . Page 29

NATIONAL DAIRY PRODUCTS CORPORATION

AND DOMESTIC SUBSIDIARY COMPANIES

Consolidated Balance Sheets

ASSETS	*December 31, 1945*		*December 31, 1944*	
CURRENT ASSETS:				
Cash		$ 32,737,060		$ 26,920,548
U. S. Government securities		23,558,132		18,425,741
Notes and accounts receivable	$ 25,085,003		$ 26,874,682	
Less—Reserve for bad debts	3,485,108	21,599,895	3,293,973	23,580,709
Inventories, lower of average cost or market:				
Products and materials	$ 38,683,484		$ 37,089,533	
Supplies	7,778,995	46,462,479	7,782,758	44,872,291
Total Current Assets		$124,357,566		$113,799,289
INVESTMENTS AND OTHER ASSETS:				
Foreign subsidiaries —				
Canadian	$ 2,598,349		$ 2,599,563	
English, Australian and Argentine	3,998,795		3,998,513	
Continental European	1		1	
	$ 6,597,145		$ 6,598,077	
Less—Reserve for investments	3,503,935		3,503,935	
	$ 3,093,210		$ 3,094,142	
Domestic subsidiaries, not consolidated	618,272		824,772	
Miscellaneous investments, deposits and receivables, less reserve	2,450,005	6,161,487	2,715,073	6,633,987
PROPERTY, PLANT AND EQUIPMENT (Stated at cost or, as to certain properties, at sound values as appraised as of dates of acquisition, less certain adjustments):				
Land	$ 11,831,999		$ 13,003,610	
Buildings, machinery and equipment	129,675,815		127,888,420	
	$141,507,814		$140,892,030	
Less—Reserve for depreciation	59,814,538	81,693,276	55,918,403	84,973,627
PREPAID AND DEFERRED ITEMS:				
Past service retirement annuities	$ 1,013,818		$ 1,429,187	
Other	823,812	1,837,630	1,176,596	2,605,783
GOODWILL		1		1
		$214,049,960		$208,012,687

(See Notes to Consolidated Financial Statements, pages 25 and 26)

NATIONAL DAIRY PRODUCTS CORPORATION
AND DOMESTIC SUBSIDIARY COMPANIES
Consolidated Balance Sheets

LIABILITIES	*December 31, 1945*		*December 31, 1944*	
CURRENT LIABILITIES:				
Serial Debentures		$ None		$ 1,500,000
Accounts payable		24,899,137		20,909,369
Accrued liabilities		8,984,510		7,478,448
Provision for Federal taxes on income	$ 28,425,000		$ 33,080,000	
Less—U. S. Treasury Savings Notes, Series C	28,425,000	None	33,080,000	None
Total Current Liabilities		$ 33,883,647		$ 29,887,817
FUNDED DEBT:				
3¼% Debentures due 1960 ($50,600,000 principal amount outstanding on December 14, 1945, called for redemption on January 14, 1946, funds for the redemption of which were deposited in trust on December 14, 1945)		None		51,700,000
2¾% Debentures due 1970 (Minimum annual sinking fund requirements: 1946-1950, $500,000 principal amount; 1951-1955, $1,000,000; 1956-1969, $1,500,000)		50,000,000		None
MINORITY INTEREST IN SUBSIDIARIES		303,805		345,308
RESERVES:				
Contingencies	$ 10,000,000		$ 10,000,000	
Prior years' Federal and state taxes	6,296,396		6,986,312	
Insurance and other	701,838	16,998,234	630,559	17,616,871
CAPITAL STOCK AND EARNED SURPLUS:				
Common stock—				
Authorized—8,000,000 shares without par value				
Issued—6,255,247 shares at stated value	$ 51,266,676		$ 51,266,676	
Earned surplus, per statement attached	61,597,598	112,864,274	57,196,015	108,462,691
		$214,049,960		$208,012,687

(See Notes to Consolidated Financial Statements, pages 25 and 26)

NATIONAL DAIRY PRODUCTS CORPORATION
AND DOMESTIC SUBSIDIARY COMPANIES
Statements of Consolidated Profit and Loss and Earned Surplus

PROFIT AND LOSS

	Year Ended December 31, 1945		*Year Ended December 31, 1944*	
INCOME:				
Net sales	$632,768,849		$593,852,943	
Other income	2,424,062	$635,192,911	1,718,465	$595,571,408
INCOME DEDUCTIONS:				
Cost of products	$476,066,086		$441,609,399	
Delivery expense	63,704,369		58,465,919	
Selling expense	26,801,483		24,175,039	
General and administrative expense	18,749,504		18,892,601	
Past service retirement annuities	351,253		1,710,813	
Net loss on disposal of plant and equipment	2,686,394		2,268,725	
Miscellaneous charges	736,122		331,884	
Interest on funded debt	1,669,121		1,798,740	
Portion of refinancing expenses equivalent to estimated reduction in 1945 Federal taxes on income resulting from refinancing	1,890,000		None	
Provision for Federal taxes on income	28,425,000	621,079,332	33,000,000	582,253,120
Net profit for the year		$ 14,113,579		$ 13,318,288

EARNED SURPLUS

	Year Ended December 31, 1945		*Year Ended December 31, 1944*	
Balance at beginning of year		$ 57,196,015		$ 50,558,498
Add:				
Net profit for the year	$ 14,113,579		$ 13,318,288	
Restoration of balance of reserve for loans to employees	None	14,113,579	200,000	13,518,288
		$ 71,309,594		$ 64,076,786
Deduct:				
Refinancing expenses—net	$ 2,984,650		$ None	
Less—Portion of the above charged to profit and loss ($1,890,000) and to prepaid and deferred items ($140,000)	2,030,000		None	
	$ 954,650		$ None	
Dividends on common stock—$1.40 and $1.10 per share in 1945 and 1944, respectively	8,757,346	9,711,996	6,880,771	6,880,771
Balance at end of year		$ 61,597,598		$ 57,196,015

(See Notes to Consolidated Financial Statements, pages 25 and 26)

COMPTROLLER'S CERTIFICATE

The foregoing financial statements have been prepared under my direction from the companies' books kept under my supervision and, to the best of my knowledge and belief, fairly state the consolidated position of National Dairy Products Corporation and consolidated domestic subsidiaries as of December 31, 1945 and December 31, 1944 and the consolidated operations for the years ended on such dates.

HERBERT P. BROWN,
Comptroller

New York, N. Y., February 28, 1946.

NATIONAL DAIRY PRODUCTS CORPORATION
AND DOMESTIC SUBSIDIARY COMPANIES

Notes to Consolidated Financial Statements . . . December 31, 1945

FEDERAL TAXES ON INCOME

The provision for Federal taxes on income for the years 1945 and 1944, as estimated, covers the following:

	1945		1944	
Normal tax and surtax		$ 7,185,000		$ 6,720,000
Excess profits tax	$23,600,000		$29,200,000	
Less — 10% credit (debt retirement credit 1944)	2,360,000	21,240,000	2,840,000	26,360,000
Amount shown as liability		$28,425,000		$33,080,000
Less—Post-war excess profits tax refund		None		80,000
Amount charged to profit and loss . .		$28,425,000		$33,000,000

REFINANCING

On December 14, 1945, the Corporation sold to certain underwriters $50,000,000 principal amount of its 2¾% Debentures due 1970 at 100¼% of the principal amount thereof plus accrued interest from December 1, 1945, which were offered to the public by the underwriters at 101¾% of the principal amount thereof plus accrued interest. The proceeds of $50,174,653, including accrued interest, received by the Corporation, together with $3,404,774 of treasury funds, were deposited on December 14, 1945 with the Corporation's Fiscal Agents for the purpose of redeeming on or before January 14, 1946 the $50,600,000 principal amount of 3¼% Debentures due 1960 then outstanding at 105½% of the principal amount thereof plus accrued interest. The net expenses incurred in this refinancing were as follows:

Premium ($2,783,000) and expenses ($26,257) on redemption of 3¼% Debentures due 1960 .		$2,809,257
Expenses incurred in connection with the issue and sale of 2¾% Debentures due 1970	$300,393	
Less—Premium received on sale thereof	125,000	175,393
Net refinancing expenses . . .		$2,984,650

Of the above net refinancing expenses, $1,890,000, being an amount equivalent to the estimated reduction in 1945 Federal taxes on income resulting from the refinancing, has been charged to Profit and Loss; $140,000, being an amount equivalent to the estimated reduction in 1946 Federal taxes on income resulting from the refinancing, has been charged to other prepaid and deferred items to be written off in the year 1946; and $954,650, being the balance thereof, has been charged to Earned Surplus.

At the close of business December 31, 1945, $42,858,000 aggregate principal amount of 3¼% Debentures due 1960 had been presented for payment and redeemed.

EMPLOYEES' SHARE PURCHASE PLAN

300,000 shares of the authorized and unissued common stock of the Corporation are reserved until May 15, 1954 for sale to key employees pursuant to the Employees' Share Purchase Plan approved by the stockholders at the 1944 annual meeting. Privileges to purchase 105,750 shares were granted to 21 employees in June 1944 at $21.75 per share and privileges to purchase 56,700 shares were granted to 38 other employees in December 1944 at $26.00 per share. The purchase privilege price in each case is equal to 105% of the average market price for the 30 days preceding the date of the grant. In each case the total number of shares is purchasable in equal amounts in nine periodic instalments extending to May 15, 1954, and any shares not purchased on the applicable instalment date may be purchased thereafter at any time on or before May 15, 1954. These privileges to purchase are non-assignable.

CASH DIVIDEND RESTRICTION

The Indenture under which the 2¾% Debentures due 1970 of the Corporation are outstanding provides in substance that cash dividends may be paid only if thereafter the consolidated net tangible assets of the Corporation are equal to or exceed $100,000,000 less the amount, if any, by which the consolidated funded indebtedness of the Corporation then outstanding is less than $50,000,000. Certain of the terms used are defined in the Indenture.

RENEGOTIATION

During 1945, the Price Adjustment Board of the War Department reviewed the renegotiable sales and related profits for the year 1944 and advised the Corporation that a net refund of $102,180 was required. This amount was paid and charged to Profit and Loss in the year 1945. In addition, provision of $150,000 has been made out of Profit and Loss in the year 1945 for any net refund which may be due for the year 1945. This provision is believed to be sufficient for the purpose.

RETIREMENT ANNUITIES

In 1944, the Corporation and subsidiaries completed purchase of all past service retirement annuities for employees eligible under the Corporation's retirement annuity plan by payment of $3,140,000, of which $1,710,813 was charged to Profit and Loss in 1944 and $1,429,187 was deferred. The amount deferred is the estimated Federal income tax benefits which may be derived in the future as the result of amortizing the payments for past service annuities in accordance with the Federal income tax laws and regulations. This amount will be written off over a period estimated not to exceed seven years by annual charges to Profit and Loss in amounts at least equal to the reduction in Federal taxes on income resulting in the respective years from the allowance of the amortized amount applicable to each of such years as a deduction from gross income for Federal income tax purposes. Pursuant to this policy, $351,253 of the amount deferred at December 31, 1944 was charged to Profit and Loss during the year 1945. In addition, there was credited in the year 1945 to the amount deferred a total of $64,116, representing refunds resulting from adjustments of amounts previously paid.

Payments with respect to future service retirement annuities charged to costs and expenses in the years 1945 and 1944 amounted to approximately $435,000 and $385,000, respectively.

SUBSIDIES

The Government, during the war, instituted the payment of subsidies on a number of farm products in order to maintain or increase farm product prices and encourage production, at the same time maintaining or lowering prices to consumers to retard the rising cost of living. Beginning in December 1942, subsidies were paid to manufacturers of cheddar cheese to enable them to pay higher prices for milk necessary to maintain production of cheddar cheese. In June 1943, the price to consumers of butter was rolled back and a corresponding subsidy paid to butter manufacturers so as to maintain prices paid by them to producers of butterfat. During part of 1942 and since the autumn of 1943, the Government has allowed handlers of fluid milk in certain metropolitan areas a subsidy in partial reimbursement for increases in the prices paid to milk producers. Under all these programs, consolidated subsidiaries of the Corporation have received net payments from the Government of approximately $9,339,000 in the year 1945 and $9,110,000 in the year 1944. All such amounts received by the subsidiaries were accounted for in cost of products.

INCENTIVE COMPENSATION PLANS

Under the incentive compensation plans of the subsidiaries, employees received payments amounting to $1,232,000 for 1945 as compared with $1,218,000 for 1944. These plans covered in 1945 a total of 1,146 key employees, none of whom received more than 9/10 of 1% of the total.

PRINCIPLES OF CONSOLIDATION

All domestic subsidiary companies have been included in consolidation in the financial statements, except a mutual insurance company (in which the investment is $550,000) and two minor companies (in which the investment is $68,272) in which latter companies not more than fifty-one per cent of the capital stock is owned. All foreign subsidiaries have been excluded from consolidation in the financial statements.

The net sales and the Corporation's equity in net profits for the year ended December 31, 1945, of subsidiaries located in Canada, England, Australia and Argentina aggregated $27,298,305 and $962,484, respectively (translated into terms of U. S. dollars at current rates of exchange on December 31, 1945). Cash dividends were received in 1945 from Canadian and English subsidiaries in amounts aggregating $562,555, which were credited to Profit and Loss. In prior years such dividends were carried to the reserve for foreign investments and advances.

RESERVE FOR CONTINGENCIES

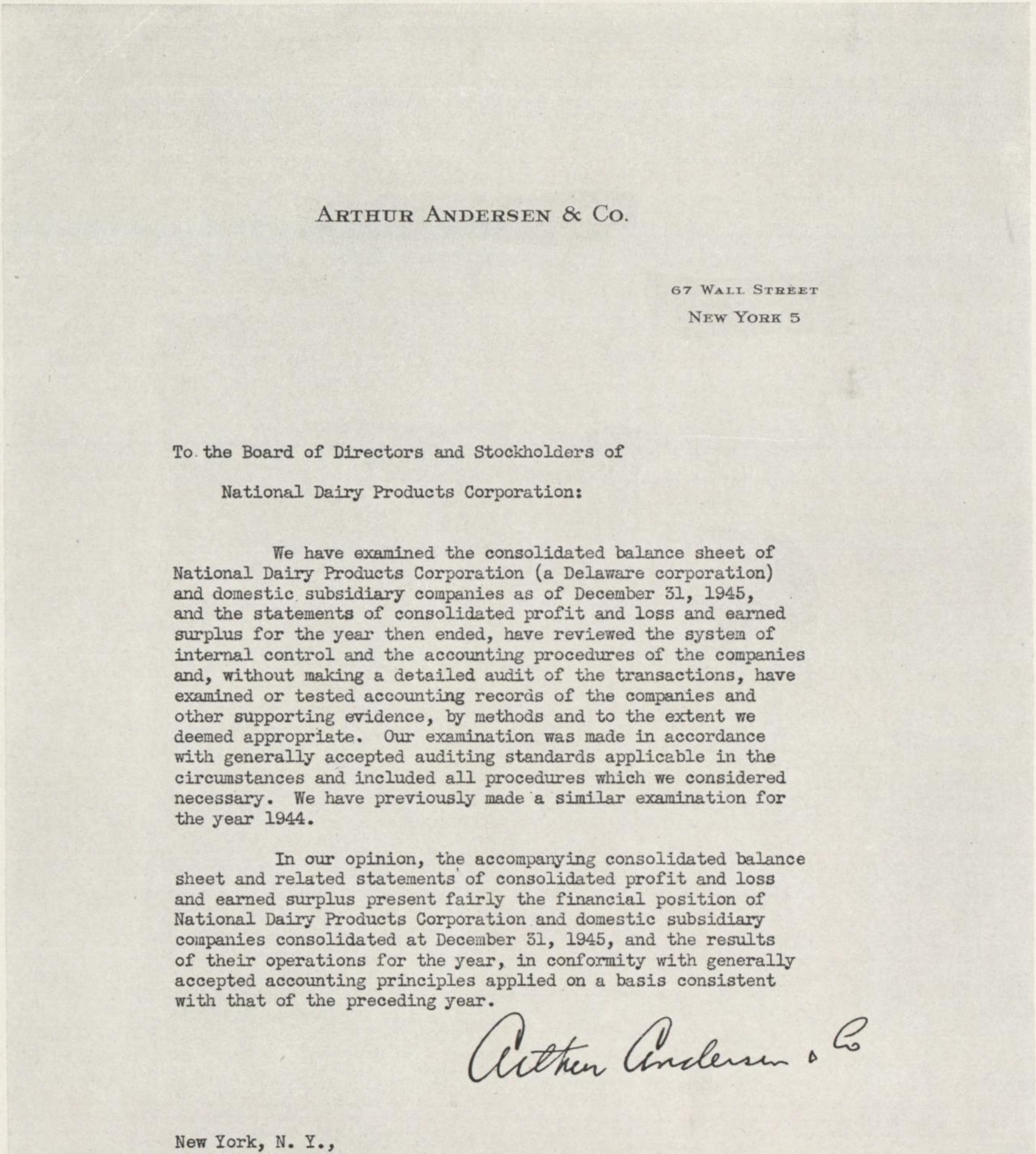
During 1943, the Corporation established a reserve for contingencies of $10,000,000 by an appropriation of $2,500,000 from Profit and Loss and $7,500,000 from Earned Surplus. The latter amount was offset by transfers to Earned Surplus by subsidiaries of reserves for possible future inventory adjustments and other contingencies appropriated by such subsidiaries out of their Profit and Loss in 1941 and 1942. The reserve for contingencies of $10,000,000 is intended to cover possible extraordinary charges arising in the post-war period affecting the consolidated companies, such as major inventory losses, lag in adjustment of prices in connection with termination of subsidies, reconversion expenses, deferred repairs and maintenance, and costs resulting from the change from wartime to peacetime operation.

DEPRECIATION

Provision for depreciation charged to costs and expenses for the years 1945 and 1944 aggregated $8,413,506 and $8,663,118, respectively.

Provision for depreciation on buildings and land improvements is computed on a unit rate method and on the other classes of depreciable assets is computed on a group composite rate method. Prior to 1945, the unit rate method was followed in computing depreciation for all classes of depreciable assets. The change to the present method of computing depreciation had no material effect upon the amount of depreciation provided for the year 1945.

Upon the sale or retirement of buildings, land improvements and groups of other property, profit and loss on such disposals is determined and the depreciation reserve is charged to the extent of the depreciation already provided for such assets. On routine disposals of depreciable assets (except buildings and land improvements) the difference between the gross book value and the salvage value is charged to the reserve for depreciation.



ARTHUR ANDERSEN & CO.

67 WALL STREET
NEW YORK 5

To the Board of Directors and Stockholders of

National Dairy Products Corporation:

We have examined the consolidated balance sheet of National Dairy Products Corporation (a Delaware corporation) and domestic subsidiary companies as of December 31, 1945, and the statements of consolidated profit and loss and earned surplus for the year then ended, have reviewed the system of internal control and the accounting procedures of the companies and, without making a detailed audit of the transactions, have examined or tested accounting records of the companies and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary. We have previously made a similar examination for the year 1944.

In our opinion, the accompanying consolidated balance sheet and related statements of consolidated profit and loss and earned surplus present fairly the financial position of National Dairy Products Corporation and domestic subsidiary companies consolidated at December 31, 1945, and the results of their operations for the year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Arthur Andersen & Co

New York, N. Y.,
February 28, 1946.

NATIONAL DAIRY PRODUCTS CORPORATION
AND DOMESTIC SUBSIDIARY COMPANIES

Condensed Ten-Year Statement of Consolidated Assets and Liabilities

(*All amounts are expressed in thousands*)

WORKING CAPITAL:	1945	1944	1943	1942	1941	1940	1939	1938	1937	1936
CURRENT ASSETS										
Cash and marketable securities	$ 56,295	$ 45,346	$ 29,767	$ 17,028	$ 15,016	$ 16,916	$ 16,727	$ 16,908	$ 19,281	$ 17,778
Notes and accounts receivable (net)	21,600	23,581	22,873	23,828	26,807	17,592	17,803	17,051	16,630	16,017
Inventories	46,463	44,872	52,252	50,410	55,338	33,798	32,113	30,518	28,505	30,759
Total Current Assets	$124,358	$113,799	$104,892	$ 91,266	$ 97,161	$ 68,306	$ 66,643	$ 64,477	$ 64,416	$ 64,554
CURRENT LIABILITIES										
Bank loans	$ 0	$ 0	$ 0	$ 1,757	$ 13,475	$ 0	$ 0	$ 5,864	$ 8,100	$ 4,695
Serial Debentures	0	1,500	1,500	1,500	1,500	1,500	0	0	0	0
Accounts payable and accruals	33,884	28,388	26,798	23,317	22,859	17,888	17,944	15,991	18,700	18,399
Provision for Federal income tax	28,425	33,080	29,000	18,500	9,676	4,580	3,299	3,094	2,560	2,566
Less—U. S. Treasury Notes	*28,425*	*33,080*	*29,000*	*18,500*	0	0	0	0	0	0
Total Current Liabilities	$ 33,884	$ 29,888	$ 28,298	$ 26,574	$ 47,510	$ 23,968	$ 21,243	$ 24,949	$ 29,360	$ 25,660
Working Capital	$ 90,474	$ 83,911	$ 76,594	$ 64,692	$ 49,651	$ 44,338	$ 45,400	$ 39,528	$ 35,056	$ 38,894
PROPERTY, PLANT AND EQUIPMENT (Net)	81,693	84,974	92,188	97,387	100,575	94,962	97,680	105,677	108,405	106,038
INVESTMENTS, OTHER ASSETS AND PREPAID ITEMS	7,999	9,240	8,818	9,883	11,394	12,530	7,022	7,179	7,594	7,245
Total	$180,166	$178,125	$177,600	$171,962	$161,620	$151,830	$150,102	$152,384	$151,055	$152,177
FUNDED DEBT	$ 50,000	$ 51,700	$ 58,800	$ 64,416	$ 66,450	$ 68,500	$ 56,899	$ 60,875	$ 64,039	$ 67,445
PREFERRED STOCK	0	0	0	0	0	0	9,871	9,871	9,871	9,871
MINORITY INTEREST	303	345	321	298	350	336	894	915	920	932
RESERVES	16,998	17,617	16,654	12,216	7,601	2,998	3,074	2,762	2,636	2,321
Total	$ 67,301	$ 69,662	$ 75,775	$ 76,930	$ 74,401	$ 71,834	$ 70,738	$ 74,423	$ 77,466	$ 80,569
Book Value of Common Stock	$112,865	$108,463	$101,825	$ 95,032	$ 87,219	$ 79,996	$ 79,364	$ 77,961	$ 73,589	$ 71,608

NOTES:

(1) *All foreign subsidiaries are excluded from the consolidated accounts beginning with the year 1940.*

(2) *Prior years' figures have been rearranged to conform with 1945.*

NATIONAL DAIRY PRODUCTS CORPORATION
AND DOMESTIC SUBSIDIARY COMPANIES

Condensed Ten-Year Statement of Consolidated Profit and Loss

(All amounts are expressed in thousands, except per share and other statistics)

INCOME:	1945	1944	1943	1942	1941	1940	1939	1938	1937	1936
Net sales	$632,769	$593,853	$580,173	$562,451	$431,049	$347,410	$336,694	$334,355	$351,015	$329,171
Other income	2,424	1,718	1,311	1,306	1,249	935	1,026	1,164	1,127	1,198
Total income	$635,193	$595,571	$581,484	$563,757	$432,298	$348,345	$337,720	$335,519	$352,142	$330,369
INCOME DEDUCTIONS:										
Cost of products	$476,066	$441,609	$436,739	$425,808	$310,274	$239,090	$225,838	$228,585	$245,781	$227,083
Delivery expense	63,704	58,466	56,991	57,111	53,321	52,189	52,857	52,820	53,497	49,043
Selling expense	26,801	24,175	22,786	26,430	26,598	25,922	26,159	24,192	24,942	22,651
General and administrative expense	18,750	18,893	16,931	15,822	14,151	12,918	13,620	12,858	12,572	12,218
Miscellaneous	5,664	4,311	1,567	2,008	1,091	965	1,181	801	524	1,021
Interest on funded debt	1,669	1,799	1,921	1,956	1,978	2,104	2,238	2,335	2,452	2,921
Provision for Federal income tax	28,425	33,000	29,000	18,500	8,950	4,063	2,793	2,602	2,083	2,150
Provision for contingencies	0	0	2,500	3,900	3,600	0	0	0	0	0
Total income deductions	$621,079	$582,253	$568,435	$551,535	$419,963	$337,251	$324,686	$324,193	$341,851	$317,087
Amount to earned surplus	$ 14,114	$ 13,318	$ 13,049	$ 12,222	$ 12,335	$ 11,094	$ 13,034	$ 11,326	$ 10,291	$ 13,282
Less—Preferred dividends	0	0	0	0	0	691	691	691	691	691
Balance	$ 14,114	$ 13,318	$ 13,049	$ 12,222	$ 12,335	$ 10,403	$ 12,343	$ 10,635	$ 9,600	$ 12,591
PAYMENTS:										
Dividends	$ 8,757	$ 6,881	$ 6,255	$ 5,004	$ 5,004	$ 5,004	$ 5,004	$ 6,255	$ 7,506	$ 7,506
Wages	102,532	94,648	88,632	83,136	72,992	68,098	66,328	64,996	65,889	61,534
Taxes	34,651	40,644	36,099	25,453	15,696	9,984	8,473	8,036	7,011	5,770
PER SHARE STATISTICS:										
Earnings	$ 2.25	$ 2.12	$ 2.08	$ 1.95	$ 1.97	$ 1.66	$ 1.97	$ 1.69	$ 1.53	$ 2.01
Dividends	1.40	1.10	1.00	.80	.80	.80	.80	1.00	1.20	1.20
Taxes	5.54	6.50	5.77	4.07	2.51	1.60	1.35	1.28	1.12	.93
OTHER STATISTICS:										
Number of—										
Stockholders	67,347	66,636	66,889	68,798	68,820	69,264	70,078	73,723	73,187	69,963
Employees	37,933	36,698	36,281	38,126	36,697	35,565	36,543	35,911	37,227	36,256

NOTES:

(1) *All foreign subsidiaries are excluded from the consolidated accounts beginning with the year 1940.*

(2) *Prior years' figures have been rearranged to conform with 1945.*

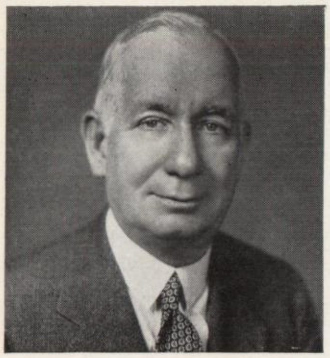
Board of Directors

Companies named, except those marked with an asterisk, are divisions of National Dairy.

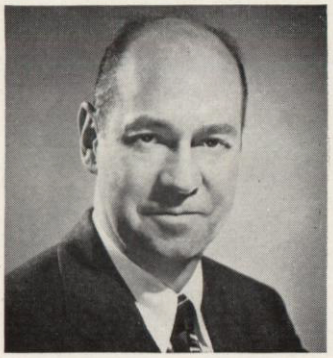
F. J. ANDRE
President, Sheffield Farms Company, Inc., New York.

F. J. BAHL
President, Merchants Cold Storage Company, Cincinnati.

EDGAR N. BRAWNER
President, Chestnut Farms-Chevy Chase Dairy Co., Washington.

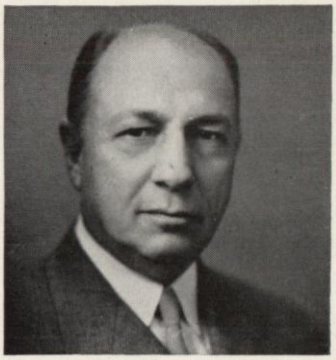


JOSEPH GILFILLAN
Partner, law firm of *Gilfillan, Gilpin & Brehman, Philadelphia.



ROBERT S. GORDON
General Counsel, National Dairy Products Corporation.

B. S. HALSEY
Vice-President, Sheffield Farms Company, Inc., New York.



VERNON F. HOVEY
President, General Ice Cream Corporation, Schenectady. Vice-President, National Dairy Products Corporation.

THOS. H. McINNERNEY
Chairman of the Board, National Dairy Products Corporation.

P. P. MILLER
Vice-President, General Ice Cream Corporation, Schenectady.

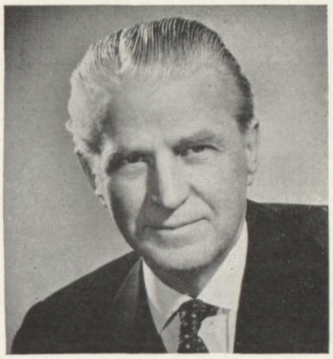
E. E. STEWART
Vice-President, National Dairy Products Corporation.

HENDERSON SUPPLEE, JR.
President, Supplee - Wills - Jones Milk Company, Philadelphia.

HENRY W. BREYER, JR.
President and Treasurer, *Breyer Corporation, Philadelphia.

JAMES BRUCE
Vice-President, National Dairy Products Corporation.

PAUL C. CABOT
President, *State Street Investment Corporation, Boston.

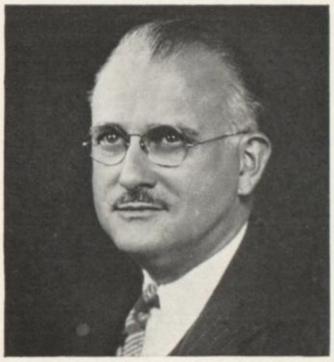


BYRON C. FOY
Vice-President, *Chrysler Corporation, New York. (Resigned from National Dairy Board February 7, 1946.)

J. L. KRAFT
Chairman of the Board, Kraft Foods Company, Chicago.

JOHN H. KRAFT
President, Kraft Foods Company, Chicago. Vice-President, National Dairy Products Corporation.

B. M. LIDE, JR.
President, St. Louis Dairy Company, St. Louis.

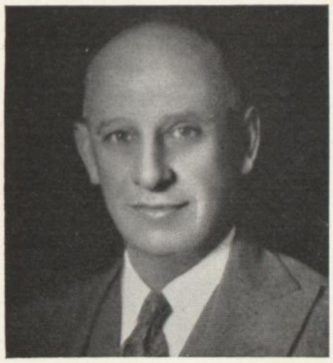


ELMER J. MATHER
Vice-President, National Dairy Products Corporation. Chairman of the Board, Southern Dairies, Inc.

L. A. VAN BOMEL
President, National Dairy Products Corporation.

H. C. VON ELM
Vice-Chairman of the Board, *Manufacturers Trust Company, New York.

SIDNEY J. WEINBERG
Partner, *Goldman, Sachs & Co., New York.



H. BURTON WILKERSON
President, Nashville Pure Milk Company, Nashville.

NATIONAL DAIRY PRODUCTS CORPORATION

230 PARK AVENUE • NEW YORK 17, N. Y.

EXECUTIVE COMMITTEE

OF THE BOARD OF DIRECTORS

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JAMES BRUCE
PAUL C. CABOT
JOSEPH GILFILLAN
VERNON F. HOVEY
JOHN H. KRAFT
THOS. H. MCINNERNEY
ELMER J. MATHER
H. C. VON ELM
SIDNEY J. WEINBERG

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OPERATING COMMITTEE

L. A. VAN BOMEL, *Chairman*

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EDGAR N. BRAWNER
R. A. BRODESSER
T. K. CARNES
CHRISTIE E. CUDDEBACK
A. J. DREUX
FRANK W. EDWARDS
VERNON F. HOVEY
JOHN H. KRAFT
DAN LEWIS
THOS. H. MCINNERNEY
G. C. MAHLE
ELMER J. MATHER
CLYDE H. SHAFFER
E. E. STEWART
HENDERSON SUPPLEE, JR.
RAYMOND J. WISE

Members of this committee are executives of National Dairy Products Corporation or subsidiary companies and are appointed by the Board of Directors.

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OFFICERS

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VERNON F. HOVEY	*Vice-President*	JOHN H. KRAFT	*Vice-President*
ELMER J. MATHER	*Vice-President*	E. E. STEWART	*Vice-President*
ROBERT S. GORDON	*General Counsel*	GEORGE H. RUTHERFORD	*Treasurer*
HERBERT P. BROWN	*Comptroller*	REED HARTEL	*Secretary*
ELIZABETH H. DREHER	*Assistant Secretary*	A. S. ARONSON	*Assistant Treasurer*

Transfer Agent
MANUFACTURERS TRUST COMPANY
New York, N. Y.

Registrar
THE CHASE NATIONAL BANK OF THE
CITY OF NEW YORK, New York, N. Y.

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SULLIVAN & CROMWELL, *Counsel*

ARTHUR ANDERSEN & CO., *Auditors*

NATIONAL DAIRY
Breyers
PRODUCTS CORP.

NATIONAL DAIRY
Sealtest
PRODUCTS CORP.

NATIONAL DAIRY
Kraft
PRODUCTS CORP.